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Message Text

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AMEMBASSY OTTAWA

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E.O. 11652: NA
TAGS: EGEN, ETRD, EEC, CA
SUBJECT: COMMISSION PROPOSALS FOR NEGOTIATIONS WITH CANADA

REF: A) OTTAWA 2085 (NOTAL)
B) EC BRUSSELS 4875 (NOTAL)
C) OTTAWA 2030 (NOTAL)
D) OTTAWA 1963 (NOTAL)
E) OTTAWA 1962 (NOTAL)
F) EC BRUSSELS 3273

1. SUMMARY: THE MISSION HAS OBTAINED THE TEXT OF THE EC COMMISSION'S COMMUNICATION TO THE EC COUNCIL OF MINISTERS PROPOSING THAT THE COUNCIL GIVE THE COMMISSION A MANDATE TO NEGOTIATE A "FRAMEWORK" AGREEMENT WITH CANADA. KEY PORTIONS ARE TRANSMITTED IN THIS MESSAGE. THE COMMUNICATION IS UNDERGOING PRELIMINARY EXAMINATION BY THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER). IT WILL BE INITIALLY PRESENTED TO THE COUNCIL BY SOAMES JUNE 24.
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NEITHER THE COMMISSION NOR A PERMREP SOURCE EXPECT

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RAPID COUNCIL ACTION. MEANWHILE EC-CANADA CONTACTS ON AN INDUSTRY-BY-INDUSTRY BASIS ARE CONTINUING. END SUMMARY.

2. THE MISSION HAS OBTAINED COPIES OF THE COMMUNICATION TO THE COUNCIL (COM(75) 224 FINAL), APPROVED BY THE COMMISSION MAY 21, ENTITLED "THE COMMUNITY'S RELATIONS WITH CANADA: PROPOSALS FOR A FRAMEWORK AGREEMENT FOR ECONOMIC ANC COMMERCIAL COOPERATION." THE COMMUNICATION IS SUMMARIZED BELOW. THE FULL TEXT IS BEING SENT BY AIRGRAM, WITH AN ADVANCE COPY TO EUR/RPE. IN CONTACTS WITH THE COMMISSION, THE NINE, AND CANADA, US POSSESSION OF THE FULL TEXT SHOULD NOT BE REVEALED.

3. THE COMMUNICATION PROPER OPENS WITH A RECOMMENDATION TO THE COUNCIL THAT "THE COMMUNITY SHOULD OPEN NEGITIATIONS WITH CANADA FOR THE CONCULSION OF A FRAMEWORK AGREEMENT FOR ECONOMIC AND COMMERCIAL COOPERATION." AFTER REVEIWING EVENTS SINCE THE OCTOBER 1972 PARIS SUMMIT, WHICH CALLED FOR THE DEVELOPMENT OF A "COSTRUCTIVE DIALOGUE" WITH CANADA, THE COMMISSION STATES THAT IN DECIDINT TO RECOMMEND AN ECONOMIC AND COMMERCIAL COOPERATION AGREEMENT, IT RECOGNIZED TWO "REALITIES". FIRST REALITY IS POLITICAL: THE DETERMINATION OF SUCCESSIVE CANADIAN GOVERNMENTS UP TO AND INCLUDING THE PRESENT TO AFFIRM A DISTICNCTIVE CANADIAN NATIONAL IDENTITY AND TO ENHANCE CANADA'S INDEPENDENCE. TO THIS END, CANADA IS SEEKING TO DIVERSITY AND EXTEND HERE EXTERNAL RELATIONS. IN PARTICULAR, THE CANADIAN GOVERNMENT HAS FOR SOME TIME MADE CLEAR ITS DESIRE TO DEVELOP A CLOSER RELATIONSHIP WITH THE EUROPEAN COMMUNKTY. A CORDIAL AND FLOURISHING RELATIONSHIP WITH INDIVIDUAL MEMBER STATES ALREADY EXISTS. BUT CANADA WISHES TO SUPPLEMENT THIS RELATIONSHIP BY ADDING THE COMMNUNITY DIMENSION AND BY ASSOCIATING TO SOME DEGREE CANADA'S OWN FUTURE WITH THAT OF A NEW EUROPE. THIS, AS THE COMMISSION UNDERSTANDS IT, IS THE POLITICAL ESSENCE OF THE CANADIAN GOVERNMENT'S ADVOCACY OF WHAT IT HAS

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TERMED A "CONTRACTUAL LINK" WITH THE COMMUNITY. THE COMMUNITY RECOGNIZES THIS POLITICAL REALITY, SYSPATHIZES WITH CANADA'S AIM, AND WISHES TO FURNISH A CLEAR AND POSITIVE RESPONSE. IT REAMINS TO ESTABLISH THE MEANS BY WHICH THE AIM MAY BE TRANSLATED INTO ACTION. THE SECOND REALITY IS ECONOMIC. THE COMMUNITY SEES CANADA, AN ADVANCED INDUSTRIAL NATION OF IMMENSE NATURAL RESOURCES, AS A LIBERAL TRADING PARTNER OF GREAT IM-

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PORTANCE. CANADA SEES THE COMMUNITY AS AN ECONOMIC ENTITY OF THE FIRST WORLD RANK, OFFERING INVESTMENT AND ADVANCED TECHNOLOGICAL KNOW-HOW AS WEKK AS OUTLETS FOR CANADIAN MANUFACTURED GOODS AND PROCESSED OR UN-PROCESSED RAW MATERIALS. THE BASIC FACT OF ECONOMIC LIFE THERFORE LEAD ANADA AND THE COMMUNITY TO SEEK COMMON GROUND AS THE FOUNDATION OF THEIR FUTURE COOPERATION AND MUTUAL BENEFIT."

4. THE COMMISSION FEELS THAT THESE "REALITIES" WAR-RANT NEGITIATION OF A NEW TYPE OF AGREEMENT, WHICH, THE COMMISSION AND CANADA AGREE, SHOULD HAVE THE FOLLOWING FEATURES: (A) A NON-PREFERENTIAL, MFN, "TRADE EXPANSION CLAUSE"; (B) A CLAUSE ENCOURAGING ECONOMIC COOPERATION; (C) A CLAUSE ESTABLISHING CON-SULTATION PROCEDURES.

5. THE ECONOMIC OOOPERATION CLAUSE WOULD "MARK A MAJOR STEP FORWARD, SINCE T WOULD ENABLE A COMMUNITY DIMENSION TO BE ADDED TO WHAT CANADA IS ALREADY DOING, AND WILL CONTINUE TO DO, WITH INDIVIDUAL MEMBER STATES.

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IT WOULD PERMIT THE COMMUNITY TO COMPLEMENT THE CO-OPERATION OF MEMBER STATES WITH CANADA IN SUCH MATTERS AS TECHNOLOGY, INVESTMENT AND THE SUPPLY OF RAW AND UPGRADED MATERIALS. IN THE COMMISSION'S VIEW FIRST STEPS MIGHT INCLUDE COMMUNITY-WIDE COOPERATION WITH CANADA INSECTORS SUCH AS FOREST PRODUCTS, URANIUM AND NON-FERROUS METALS; OTHER AGREED ACTIVITIES COULD BE EXPECTED TO FOLLOW IN SHORT ORDER."

6. THE COMMISSION NOTES THAT THIS APPRAOCH INVOLVES "A FURTHER DEVELOPMENT OF THE COMMUNITY'S COMMERICIAL POLICY. THIS DEVELOPMENT DOES NOT HOWEVER TRANSCEND THE LIMITS OF ARTICLE 113 OF THE TREATY OF ROME. IN SUPPORT OF ITS POSITION,THE COMMISSION RECALLS THE VIEW EXPRESSED BY THE LEGAL SERVICE OF THE COUNCIL IN CONNECTION WITH IRAN. ACCORDING TO THIS VIEW, THE COMMUNITY CAN, IN APPROPRAITE CASES, ENTER INTO ECON-OMIC COOPERATION AGREEMENTS, BUT MEMBER STATES CAN CONTINUE TO ACT IN THIS FIEDL INSOFAR AS THEY ARE NOT LIMITED OFFICIAL USE

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IN CONTRADICTION WITH COMMUNITY ACTIONS. IN PARACTICE THIS MEANS THAT COMMUNITY ACTION AND NATIONAL ACTIONS IN TIS FIELD ARE COMPLEMENTARY AND THAT THE COMMUNITY'S PROCEDURES WILL FURTHER THE COHERENCE OF ALL THESE ACTIONS."

7. "THE CONCEPT OF "FRAMEWORK", "THE COMMISSION SAYS, "IS INTENDED TO ACKNOWLEDGE THE ROLE OF PRIVATE EN-TERPRISE IN THE MATERIAL IMPLEMENTATION OF COMMERCIAL AND ECONOMIC COOPERATION WITH A COUNTRY OF SIMILAR ECONOMIC STRUCTURE SUCH AS CANADA. THE PUBLIC AUTH-ORITIES ON BOTH SIDES CAN DO NO MORE IN MOST SECTORS THAN ENCOURAGE AND FACILITATE SUCH COOPERATION."

8. THE CANADIAN GOVERNMENT, THE COMMISSION REPORTS, HAS ATTACHED PARTICULAR IMPORTANCE TO CONSULTATION ARRANGEMENTS. THOSE PROPOSED BY THE COMMISSION WOUL ADD TO BUT NOT REPLACE THE EXISTING REGULAR COMMISSION-CANADA CONSULTATIONS.

9. ANNEXED TO THE COMMUNICATION ARE TWO DOCUMENTS, A DRAFT COUNCIL DECISION AUTHORIZING NEGITIATIONS; AND DRAFT NEGOTIATION DIRECTIVES. THE LATTER IS OF PAR-TICULAR INTEREST AND ITS FULL TEXT FOLLOWS: BEGIN TEXT. ANNEX II. NEGOTIATING DIRECTIVES.

A. NATURE OF THE AGREEMENT

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1. SCOPE
THE NEGOTIATIONS WOULD AIM TO CONCLUDE A FRAMEWORK AGREEMENT ON ECONOMIC AND COMMERCIAL COOPERATION BETWEEN THE EUROPEAN COMMUNITIES AND CANADA IN THE FIELDS OF ACTIVITY GOVERNED BY THE COMMUNITY TREATIES.

2. EVOLUTIONARY NATURE
THE COOPERATION WOULD EVOLVE AS THE POLICIES OF CANADA AND OF THE EUROPEAN COMMUNITIES DEVELOP AND PERMIT.

3. DURATION
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THE AGREEMENT WOULD BE OF INDETERMINATE DURATION. HOWEVER, IT COULD BE REVOKED ONLY AFTER FIVE YEARS, SUBJECT TO ONE YEAR'S NOTICE.

B. CONTENT OF THE AGREEMENT

1. PREAMBLE
THE CONTRACTING PARTIES WOULD CONFIRM THEIR WILL TO DEVELOP THE "CONSTRUCTIVE DIALOGUE" REFERRED TO AT THE 1972 PARIS SUMMIT.

2. COMMERCIAL COOPERATION
(A) MULTIALATERAL ASPECTS
THE CONTRACTING PARTIES WOULD SIGNIFY THEIR ADHERENCE TO THE PRINCIPLES OF THE GATT, IN PARTICULAR BY INSERTING
I. A MOST-FAVORED-NATION CLAUSE DEMONSTRATING THE NON-PREFERENTIAL NATURE OF THE AGREEMENT;
II. A CLAUSE RELATIN TO THE LIBERALIZATION OF TRADE.

(B) BILATERAL ASPECTS
TRADE COOPERATION MAY, WITHOUT DETRIMENT TO THE MULTILATERAL NEGITIATIONS, SEEK TO CONTRIBUTE TO STABILITY OF SUPPLY AND TO THE DEVELOPMENT OF TRADE BETWEEN THE PARTNERS.

3. ECONOMIC COOPERATION

(A) OBJECTIVES
IN THE LIGHT OF THE POTENTIAL COMPLEMENTARITY OF THE CONTRACTING PARTIES AND THE LONG-TERM AIMS OF THEIR RESPECTIVE ECONOMIES, ECONOMIC COOPERATION WOULD HELP TO ACHIEVE THE FOLLOWING OBJECTIVES OF THE

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AGREEMENT, NAMELY TO:
. PROMITE THE DEVELOPMENT OF EUROPEAN AND
CANADIAN INDUSTRIES;
. ENCOURAGE ADVANCES IN INDUSTRIAL TECHNOLOGIES;
. OPEN NEW SOURCES OF SUPPLY AND NEW MARKETS;
. CREAT NEW JOBS;
. REDUCE REGIONAL DISPARTIES;
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. PROTECT AND IMPROVE THE ENVIRONMENT;
. RAISE THE STANDARD OF LIVING.

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(B) FIELDS
COOPERATION WOULD EMBRACE PRSPECTING, EX-
TRACTION, PROCESSING AND MARKETING OF ENERGY AND RAW
MATERIALS. HOWEVER, IN VIEW OF THE EVOLUTIONARY NATURE

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OF THE AGREEMENT, IT WOULD NOT ATTEMPT TO SET UP AN EXHAUSTIVE LIST OF FIELDS FOR ECONOMIC COOPERATION. IT WOULD BE UNDERSTOOD THAT THIS COOPERATION WOULD BE AS WIDE AS POSSIBLE, PARTICULARLY IN THE INDUSTRIAL FIELD.

A LIST OF PRIORITY SECTORS WHCH, IN THE COMMUNITY'S VIEW, WOULD INCLUDE FOREST PRODUCTS, THE METALS, AND THE URANIUM INDUSTRY SECTORS, COULD BE DRAWN UP IN THE CONTEXT OF THE NEGOTIATIONS AND THUS FORM A WORK-PROGRAMME FOR THE IMMEDIATE FUTURE.

(C) MEANS

THE CONTRACTING PARTIES WOULD ENDEAVOR TO ENCOURAGE AND FICILITATE INTER ALIA:

. BROADER INTER-CORPORATE LINKS BETWEEN THEIR REPSECTIVE INDUSTRIES, ESPECIALLY IN THE FORM OF JOINT

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VENTURES;

. GREATER PARTICIPATION BY COMMUNITY AND CANADIAN FIRMS IN THE DINSUTRIAL DEVELOPMENT OF CANADA AND THE COMMUNITIES ON MUTUALLY SATISFACTORY TERMS;

. INCREASED AND MUTUALLY BENEFICIAL INVESTMANE;

. TECHNOLOGICAL AND SCIENTIFIC EXCHANGES;

. JOINT OPERATIONS IN THIRD COUNTRIES.

INDUSTRIAL INFORMATION AND PROMOTION ACTIVITIES WOULD BE CARRIED OUT IN ORDER TO SECURE AN AUGMENT REGULAR INFORMATION EXCHANGES AND THE NECESSARY CONTACTS IN THE INDUSTRIAL FIELD BETWEEN THE COMMUNITIES AND CANADA. THESE ACTIVITIES COULD HAVE THE FOLLOWING AIMS:

. TO GATHER AND DIMMEMINATE ALL RELEVANT IN-FORMATION ON CRECRETE OPPORTUNITIES FOR COOPERATION AND, IN A MORE COMPREHENSIVE MANNER, ON THE INDUSTRIAL AND COMMERCIAL EVOLUTION OF THE PARTNERS;

. TO ORGANIZE AND FACILITATE CONTACTS AND MEETINGS OF ALL KINDS BETWEEN INDUSTRIAL POLICY-MAKERS, PROMOTERS AND FIRMS ON EACH SIDE.

4. JOINT COOPERATION COMMITTEE

THIS COMMITTEE WOULD BE SET UP TO SUPERVISE AND PROMOTE THE VARIOUS ECONOMIC AND COMMERCIAL COOPERATION ACTIVITIES ENVISAGED. IT WOULD CONTRIBUTE ON THE PRACTICAL LEVEL TO THE IMPLEMENTATION OF SECTORAL COOPERATION STRATEGIES, BUT IT WOULD ALSO SERVE TO FOSTER COOPERATION ALONG SATISFACTORY INTER-SECTORAL LINES. CONSEQUENTLY, ITS COMPOSITION COULD VARY WITH THE SECTORS CONCERNED AND THE APPROACH FOLLOWED.

5. CONSULTATIONS

THE AGREEMENT WOULD PROVIDE FOR CONSULTATIONS, AT AN APPROPRIATE LEVEL AND WITHIN THE JOINT COOPERA-

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TION COMMITTEE, ON ECONOMIC AND COMMERCIAL MATTERS
FALLING WITHIN THE SCOPE OF THE AGREEMENT. THE CON-
TRACTING PARITES WOULD UNDERTAKE TO GIVE A FAVORABLE
RECEPTION TO ANY REPRESENTATIONS TO THAT END. END
TEXT.

10. THE COMMISSION HOPED THAT THE COMMUNICATION
WOULD MOVE DIRECTLY TO THE COUNCIL WITHOUT CONSIDERA-
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TION BY THE COMMITTEE OF PERMANENT REPRESENTATIVE
(COREPER). HOWEVER, THE (IRISH) CHAIRMAN OF COREPER
DECIDED, WHEN TIS WAS PROPOSED LAST WEEK, THAT
NORMAL PROCEDURES SHOULD BE FOLLOWED: I.E. THAT THE
COMMUNICATION WOULD BE CONSIDERED BY COREPER'S WORKING
GROUP ON TRADE, AND THEN BY COREPER (ON JUNE 19)
BEFORE COUNCIL CONSIDERATION (ON JUNE 24).

11. THE COMMISSION SCENARIO FORESEES A SOAMES "TOUR
D'HORIZON" REGARDING EC-CANADA RELATIONS ON JUNE 24.
THEREAFTER, THE COUNCIL WOULD REFER THE SUBJECT BACK
TO COREPER, AND IN THE COMMISSION'S VIEW, THE COUNCIL
WOULD NOT TAKE IT UP AGAIN UNTIL SPETEMBER OR
OCTOBER -- AFTER THE SUMMER BREAK. WITH LUCK, A NEGO-
TIATING MANDATE MIGHT BE GIVEN BEFORE CHRISTMAS.
THIS IS MORE OR LESS THE SCHEDULE FORESEEN BY A
PERMREP SOURCE, THOUGH THE LATTER THINKS IT POSSIBLE
THAT THE JULY 14 COUNCIL MIGHT TAKE A SECOND--BUT NOT
FINAL--LOOK AT THE COMMISSION PRPOSLA.

12. THE INITIAL COREPER DISCUSSION LAST WEEK WAS
BRIEF AND LARGELY PROCEDURAL. HOWEVER, TWO MEMBER
STATES--FRANCE AND DENMARK--EXPRESSED RESERVATIONS
ABOUT THE COMMISSION PRPOSALS; AND AT LEAST ONE OTHER,
THE UK, HAS SOME DOUBTS BUT DID NOT EXPRESS THEM.

13. OPPOSITION TO THE PROPOSAL IS LIKELY TO BE AROUSED,
NOT BY THE IDEA OF REACHING SOME SORT OF AGREEMENT
WITH CANADA, BUT BY THE FEAR THAT THE CANADA
AGREEMENT WOULD BE THE OPENING WEDGE FOR A GENERAL
EXPANSION OF "COMMUNITY" (READ COMMISSION) POWERS IN
EXTERNAL RELATIONS AT THE EXPENSE OF MEMBER STATE
COMPETENCE. EMBER STATE OPPOSITION HAS BEEN ALERTED
TO THIS DANGER BY SOAMES, WHO HAS TALKED REPEATEDLY OF
ATTEMPTING JUST SUCH A TRICK. THE COMMISSION STAFF
HAS TRIDE TO DOWNPLAY THIS ASPECT BOTH IN THE LANGUAGE
OF THE COMMUNICATION AND IN LOBBYING WITH MEMBER STATE
OFFICIALS. THEY THINK THAT IN THE LONG RUN FRANCE
(WHICH WAS THE PRINCIPAL OPPONENT OF THE PREVIOUS
COMMISSION PROPOSAL ON TIS SUBJECT) WILL

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WITHDRAW ITS OPPOSITION--PERHAPS AFTER EXACTING A
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PRICE IN TERMS OF MODIFYING THE DIRECTIVES. THE
ITALIANS AND THE DUTCH ARE SAID BY THE COMMISSION TO
BE IN FAVOR OF ITS APPROACH, AND, WHILE THE BRITISH
HAVE UP TO NOW BEEN SOMESHAT NEGATIVE, THE COMMISSION
FEELS THAT THE UK WILL UNTIMATELY GO ALONG WITH THE
COMMISSION APPROACH.

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14. THE LENGTHY PROSPECTIVE TIMETABLE FOR APPROVAL
OF FORMAL EC-CANADA NEGOTIATIONS BY NO MEANS EXCLUDES
ACTIVITY ON THE SUBJECTS THAT WOULD BE COVERED BY AN
AGREEMENT ALONG THE LINES PROPOSED BY THE COMMISSION.
OVER THE LAST YEAR THE COMMISSION AND CANADA HAVE BEEN
TAKING A SECTOR-BY-SECTOR LOOK AT INDUSTRIAL COOPERA-

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TION, AIMING IN THE FIRST INSTANCE AT ACQUIRING AND EXCHANGING INFORMATION ON THE SECTORAL SITUATION, AND AT UNDERTAKING EACH OTHER'S POLICIES.

15. THIS PROCESS BEGAN WITH THE VISIT TO CANADA LAST FALL OF THE EC FOREST PRODUCTS TEAM (MADE UP OF COMMISSION OFFICIALS AND EC INDUSTRY REPRESENTATIVES). A CANADIAN FACTFINDING TEAM WILL RETURN THE VISIT AT THE END OF TIS YEAR OR EARLY IN 1976. IN THE MEANTIME THERE HAVE BEEN SOME OFFICIAL EXCHANGES. SO FAR, ACCORDING TO FIELDING, THE COMMISSION'S DIRECTOR FOR NORTH AMERICAN AFFAIRS, NO DECISIONS HAVE RESULTED: THE PROCESS HAS BEEN PURELY ONE OF ACQUIRING LIMITED OFFICIAL USE

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INFORMATION.

16. MORE RECENTLY, AS REPORTED BY OTTAWA, A COMMISSION TEAM HEADED BY FIELDING AND A SENIOR OFFICIAL FROM THE COMMISSION'S DIRECTORATE GENERAL FOR ENERGY VISITED CANADA TO EXAMINE THE PROSPECTS IN THE URANIUM FIELD. FIELDING'S ASSESSMENT COINCIDES WITH THOSE REPORTED BY OTTAWA: TAKEN TOGETHER, CANADIAN POLICIES AMONT TO A STRONG DISINCENTIVE TO EUROPEAN INVESTMENT IN THE EXPLOITATION AND ACQUISITION OF CANADIAN URANIUM. NEVERTHELESS, THE COMMISSION LOOKS FORWARD TO A VISIT, NEXT YEAR, BY CANADIAN INDUSTRALISTS IN THIS FIELD.

17. THE THIRD PRIORITY SECTOR FOR EC-CANADA INDUSTRIAL COOPERATION, FROM THE EC POINT OF VIEW, IS NON-FERROUS METALS, AND AN EC TEAM WILL VISIT CANADA TO STUDY THIS FIELD IN SEPTEMBER.

18. IN ADDITION TO THESE COMMISSION-INITIALTED EXCHANGES, THERE ARE REGULAR TALKS GOING ON BETWEEN THE COMMISSION AND CANADA ON ENVIRONMENTAL COOPERATION, WITH THE HOPE THAT SOON THERE CAN BE AN EXCHANGE OF LETTERS ON THIS SUBJECT, APPARENTLY ON THE PATTERN OF THE EXCHANGE BETWEEN THE US AND THE EC.

19. THE CANADIANS ALSO HAVE THIER PRIORITIES FOR INDUSTRIAL COOPERATION. THEY ARE SENDING TEAMS, LED BY GOVERNMENT OFFICIALS, TO MEMBER STATE CAPITALS AND THEN TO THE COMMISSION TO EXAMINE THE PROPSECTS IN ELECTRICITY, ELECTRONICS, MACHINE TOOLS, AND TRANSPORTATION. THE CANADIAN AIM, ACCORDING TO THE COMMISSION, IS TO EXPLORE THE PROPSECT OF SELLING MORE HIGHLY FINISHED CANADIAN GOODS, AND FOR ATTRACTING EUROPEAN INVESTMENT IN CANADIAN FINISHED GOODS MANUFACTURING. THE COMMISSION "CAUTIOUSLY WELCOMES" THIS

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CANADIAN INITIATIVE. GREENWALD

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